



State of Utah

Department of Natural Resources

MICHAEL R. STYLER
Executive Director

Division of Oil, Gas & Mining

JOHN R. BAZA
Division Director

JON M. HUNTSMAN, JR.
Governor

GARY R. HERBERT
Lieutenant Governor

June 7, 2005

Karen Palmer
Diamond K Gypsum
1720 South Red Hills Drive
Richfield, Utah 84701-7003

Subject: Formal Approval of Amended Notice of Intention to Commence Large Mining Operations and Form and Amount of Reclamation Surety, Diamond K Gypsum, DKG Quarry, M/015/041, Emery County, Utah

Dear Mrs. Palmer:

On May 16, 2005, Mark Mesch, acting for the Director of the Division of Oil, Gas and Mining, formally approved the form and amount of reclamation surety for the referenced mine. Enclosed please find copies of the fully signed and executed Reclamation Contract and surety bond forms for your files. This approval is for conducting mining operations on your existing disturbance plus an additional 1.49-acre area.

Thank you for your help and patience in finalizing this permitting action. Please call me or Paul Baker if you have any questions in this regard.

Sincerely,

Susan M. White
Mining Program Coordinator
Minerals Regulatory Program

SMW:PBB:jb
Enclosure Reclamation Contract and Letter of Credit
cc: Angela Wadman, Price BLM, w/Encl



FORM MR-RC
Revised January 21, 2005
RECLAMATION CONTRACT

File Number M/015/041

Effective Date May 16, 2005

Other Agency File Number UTU-69860

STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
DIVISION of OIL, GAS and MINING
1594 West North Temple Suite 1210
Box 145801
Salt Lake City, Utah 84114-5801
(801) 538-5291
Fax: (801) 359-3940

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MAY - 5 2005

RECLAMATION CONTRACT

---ooOoo---

DIV OF OIL GAS & MINING

For the purpose of this RECLAMATION CONTRACT the terms below are defined as follows:

"NOTICE OF INTENTION" (NOI): (File No.)
(Mineral Mined)

M/015/041

Gypsum

"MINE LOCATION":
(Name of Mine)
(Description)

DKG Quarry

Approximately 2 miles from exit
114 off I-70. Approximately
14 miles southeast of Moore.

"DISTURBED AREA":
(Disturbed Acres)
(Legal Description)

23.77 acres

(Refer to Attachment A)

"OPERATOR":
(Company or Name)
(Address)

Diamond K Gypsum, Inc.

1720 South Red Hills Dr.

Richfield, UT 84701

(Phone)

(800) 497-7861



"OPERATOR'S REGISTERED AGENT":

Name)

(Address)

(Phone)

Karen Palmer

1720 South Red Hills Dr.

Richfield, UT 84701

(800) 497-7861

"OPERATOR'S OFFICER(S)" & TITLE:

Karen Palmer, President, CEO

John A. Reeves, Jr., Vice President

Kristi Allred, Secretary-Treasurer

SURETY":

(Form of Surety - Attachment B)

Letter of Credit

"SURETY COMPANY":

(Name, Policy or Acct. No.)

Wells Fargo Bank

2

"SURETY AMOUNT":

(Escalated Dollars)

\$47,900

"ESCALATION YEAR":

2010

"STATE":

State of Utah

"DIVISION":

Division of Oil, Gas and Mining

"BOARD":

Board of Oil, Gas and Mining

ATTACHMENTS:

A "DISTURBED AREA":

B "SURETY":

This Reclamation Contract (hereinafter referred to as "Contract") is entered into between Diamond K Gypsum, Inc. the "Operator" and the Utah State Division of Oil, Gas and Mining ("Division").

WHEREAS, Operator desires to conduct mining operations under Notice of Intention (NOI) File No. M/015/041 which has been approved/accepted by the Utah State Division of Oil, Gas and Mining under the Utah Mined Land Reclamation Act, Sections 40-8-1 et seq., Utah Code Annotated, (1953, as amended) (hereinafter referred to as "Act") and implementing rules; and

WHEREAS, Operator is obligated to reclaim that area described as the Disturbed Area as set forth and in accordance with Operator's approved/accepted Reclamation Plan or Notice, and Operator is obligated to provide surety in form and amount approved by the Division, to assure reclamation of the Disturbed Area.



NOW, THEREFORE, the Division and the Operator agree as follows:

1. Operator agrees to conduct reclamation of the Disturbed Area in accordance with the Act and implementing regulations, the Reclamation Plan and/or Notice of Intention approved/accepted by the Division on February 29, 1996. The Reclamation Plan and/or Notice of Intention, as amended, are incorporated by this reference and made a part hereof.
2. Concurrent with the execution hereof, Operator has provided surety to assure that reclamation is conducted, in form and amount acceptable to the Division. Such surety as evidenced by the Surety Contract is in the form of the surety attached hereto as Attachment B and made a part hereof. The Surety Contract shall remain in full force and effect according to its terms unless modified by the Division in writing. If the Surety Contract expressly provides for cancellation, then, within 60 days following the Division's receipt of notice that the Surety Company intends to cancel the Surety Contract, the Operator shall provide a replacement Surety Contract in a form and amount reasonably acceptable to the Division. If the Operator fails to provide an acceptable replacement Surety Contract, the Division may order the Operator to cease further mining activities and to begin immediate reclamation of the Disturbed Area.
3. Operator agrees to pay legally determined public liability and property damage claims resulting from mining to the extent provided in Section 40-8-7(1)(e) of the Act.
4. Operator agrees to perform all duties and fulfill all reclamation requirements applicable to the mine as required by the Act and implementing rules, the Notice of Intention, as amended and the Reclamation Plan, as amended.
5. The Operator's liability under this Contract shall continue in full force and effect until the Division certifies that the Operator has reclaimed the Disturbed Area in accordance with the Act and implementing rules, the Notice of Intention, as amended and the Reclamation Plan, as amended.
6. If reclamation of discrete sections of the Disturbed Area is completed to the satisfaction of the Division, and the Division finds that such sections are severable from the remainder of the Disturbed Area, Operator may request the Division to certify that Operator has reclaimed such discrete sections of the Disturbed Area in accordance with the Act and Implementing rules, the Notice of Intention, as amended and the Reclamation Plan, as amended. If the Division makes such certification, Operator may make request to the Division that the aggregate face



amount of the Surety Contract provided pursuant to paragraph 2 be reduced to an amount necessary to provide for completion of the remaining reclamation. The Division shall hear Operator's request for such reduction in accordance with the Board's Procedural Rules concerning requests for Agency Action.

7. Operator agrees to indemnify and hold harmless the State, Board and the Division from any claim, demand, liability, cost, charge, suit, or obligation of whatsoever nature arising from the failure of Operator or Operator's agents and employees, or contractors to comply with this Contract.
8. Operator may, at any time, submit a request to the Division to substitute surety. The Division may approve such substitution if the substitute surety meets the requirements of the Act and the implementing rules.
9. This Contract shall be governed and construed in accordance with the laws of the State of Utah.
10. If Operator shall default in the performance of its obligations hereunder, Operator agrees to pay all costs and expenses, including reasonable attorney's fees and costs incurred by the Division and/or the Board in the enforcement of this Contract.
11. Any breach that the Division finds to be material of the provisions of this Contract by Operator may, at the discretion of the Division, result in an order to cease mining operations. After opportunity for notice and hearing, the Board of Oil, Gas and Mining may enter an order to revoke the Notice of Intention, order reclamation, or order forfeiture of the Surety Contract, or take such other action as is authorized by law.
12. In the event of forfeiture of the Surety Contract, Operator shall be liable for any additional costs in excess of the surety amount which are required to comply with this Contract. Any excess monies resulting from forfeiture of the Surety Contract, upon completion of reclamation and compliance with this Contract, shall be returned to the rightful claimant.
13. This Contract including the Notice of Intention, as amended and the Reclamation Plan, as amended, represents the entire agreement of the parties involved, and any modification must be approved in writing by the parties involved.
14. Each signatory below represents that he/she is authorized to execute this Contract on behalf of the named party.

COPY

OPERATOR:

Diamond K Gypsum, Inc.
Operator Name

By Karen Palmer
Authorized Officer (Typed or Printed)

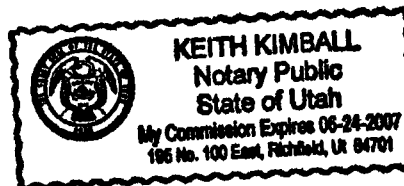
President
Authorized Officer - Position

Karen Palmer 5-5-05
Officer's Signature Date

STATE OF Utah)
COUNTY OF Sevier) ss:

On the 5th day of May, 2005, Karen Palmer
personally appeared before me, who being by me duly sworn did say that he/she is the
President of Diamond K Gypsum, Inc. and duly acknowledged
that said instrument was signed on behalf of said company by authority of its bylaws or
a resolution of its board of directors and said Karen Palmer duly
acknowledged to me that said company executed the same.

Keith Kimball
Notary Public
Residing at Richfield
6-24-2007
My Commission Expires:



COPY

DIVISION OF OIL, GAS AND MINING:

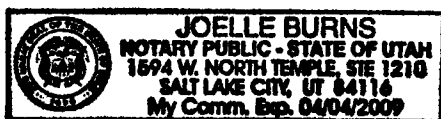
By [Signature]
for John R. Baza, Director

5/16/05
Date

STATE OF Utah)
COUNTY OF Salt Lake) ss:

On the 16th day of May, 2005, Mark Mesch
personally appeared before me, who being duly sworn did say that he, the said
Mark Mesch is the Director of the Division of Oil, Gas and Mining,
Department of Natural Resources, State of Utah, and he duly acknowledged to me that
he executed the foregoing document by authority of law on behalf of the State of Utah.

Acting Associate



Joelle Burns
Notary Public
Residing at: SLC Utah

April 4, 2009
My Commission Expires:

COPY

ATTACHMENT "A"

Diamond K Gypsum, Inc.
Operator
M/015/041
Permit Number

DKG Quarry
Mine Name
Emery County, Utah

LEGAL DESCRIPTION

Include 1/4, 1/4, 1/4 sections, townships, ranges and any other descriptions that will legally determine where disturbed lands are located. Attach a topographic map of suitable scale (max. 1 inch = 500 feet; 1 inch = 200 feet or larger scale is preferred) showing township, range and sections and a clear outline of the disturbed area boundaries tied to this Reclamation Contract and surety.

The detailed legal description of lands to be disturbed includes portions of the following lands not to exceed 23.77 acres under the approved / accepted permit and surety, as reflected on the attached map labeled Attachment C and dated March 28, 2005:

SW1/4, Section 29, T22S, R9E

Attachment "C"

Diamond K Gypsum, Inc.
Quarrying and Reclamation Plan

Mine Number: M/015/041
Mine Name: DKG Quarry
Township 22 S Range 9 E Sec. 29 SLBM
Copper Globe Quadrangle
Date: March 28, 2005

Scale: 0 feet 500 feet

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N= 109463.14
E= 94713.17

WEST QUARTER CORNER SECTION 29
STANDARD IRON BRASS CAP
DATED 1972

N= 102313.66
E= 95374.44

CONTROL POINT
REBAR & PLASTIC CAP

ROAD
0.3028 ACRES

AREA B1
7/1988 RECLAIMED
2.853 ACRES

AREA B2
7/1988 RECLAIMED
1.9750 ACRES

ROAD
0.3708 ACRES

48" CAP CULVERT

TOPSOIL STORAGE
0.5008 ACRES

YEAR 1 C4
1.4858 ACRES

AREA C3
ACTIVE MINING
2.8328 ACRES

AREA C1
10/2000 RECLAIMED
2.7261 ACRES

LOADING AREA
0.8190 ACRES

LOT STOCKPILE
0.1571 ACRES

ROAD
0.2500 ACRES

AREA C2
1/1/2004 RECLAIMED
9.4162 ACRES

RELEASED AREA
8.0817 ACRES

CENTERLINE OF MOORE ROAD
APPROXIMATELY 35' WIDE

B/2

N 07° 04' 21" W
264' 50"

B/3

B/1

SSW 1

COPY
N 89° 57' 40" E
5203.66'

Operations Group
Northern California
One Front Street, 21st Floor
San Francisco, CA 94111



PAGE: 1

DATE: APRIL 18, 2005

AMENDMENT TO CREDIT NO.

2

AMENDMENT NUMBER: 1

APPLICANT:
DIAMOND K GYPSUM, INC
1600 SOUTH REDHILLS ROAD
RICHFIELD, UT 84701

BENEFICIARY:
STATE OF UTAH
DIVISION OF OIL GAS AND MINING
1594 WEST NORTH TEMPLE
SALT LAKE CITY, UTAH 84114-5801

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DIV OF OIL GAS & MINING

THIS AMENDMENT IS TO BE CONSIDERED AS PART OF THE ABOVE CREDIT AND MUST BE ATTACHED THERETO.

THE ABOVE MENTIONED CREDIT IS AMENDED AS FOLLOWS:

THE AMOUNT OF THIS CREDIT HAS BEEN INCREASED BY USD 14,800.00.

THE AMOUNT OF THE CREDIT ISSUED NOW TOTALS USD 47,900.00.

ALL OTHER TERMS UNCHANGED.

AUTHORIZED SIGNATURE

SOCCHI LOZANO

ASSISTANT VICE PRESIDENT

PLEASE CONTACT AMY V. MARIO BY TELEPHONE AT 415-396-6209 OR BY FAX AT (415)296-8905 OR OUR HELPLINE AT 1-800-798-2815 OPTION 1 REGARDING ANY INQUIRIES.



m/015/041
Trade Services San Francisco
MAC A0195-212
One Front Street, 21st Floor
San Francisco, California 94111
Phone # (800) 798-2815, Option 1
E-mail: sftrade@wellsfargo.com



Irrevocable Letter of Credit Number NZS541252

Issue Date: April 5, 2005

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DIV. OF OIL, GAS & MINING

State of Utah
Department of Natural Resources
Division of Oil Gas and Mining
1594 West North Temple, Suite 1210
Box 145801
Salt Lake City, Utah 84114-5801

and

U.S. Department of the Interior Bureau of Land Management
324 South State Street
Salt Lake City, Utah 84111

Gentlemen and Ladies:

1. Wells Fargo Bank, N.A., ("Bank"), of San Francisco, California, hereby establishes this Irrevocable Letter of Credit (the "Letter of Credit") in favor of the State of Utah, Division of Oil, Gas and Mining and U.S. Department of the Interior Bureau of Land Management ("Division") for an aggregate amount not to exceed \$33,100.00 in United States Dollars ("Face Amount") effective immediately.
2. This Letter of Credit will expire upon the first event set forth as follows: (a) 5:00 o'clock p.m. (San Francisco time) on March 31, 2006 or (b) the date upon which sufficient documents are executed by the Division to release Diamond K Gypsum, Inc. ("Operator") from further liability for reclamation of the **DKG Quarry, Mine Permit No. M/015/041, Emery County, Utah with notice to Bank by the Division accompanied by the original Letter of Credit with directions for cancellation.**
3. This Letter of Credit will be automatically extended for successive periods of one year from the current or any future expiration date unless the Bank gives notice to the Division 90 days prior to the expiration date that the Bank elects not to renew the Letter of Credit.
4. Funds under the Letter of Credit are available against the Division's sight draft, in the form of Exhibit A, specifying Letter of Credit Number 2 delivered to the office of the Bank, Wells Fargo Bank, N.A., Trade Services Division, Northern California, One Front Street, 21st Floor, San Francisco, California 94111. At the Division's sole election, the Division may present sight drafts for less than the Face Amount so long as the aggregate amount of all sight drafts does not exceed the Face Amount. Each draft must be accompanied by a certificate in the form of Exhibit B, signed by a duly authorized representative of the Division.
5. If the Bank receives the Division's sight draft(s) and certificate(s) as provided in Paragraph No. 4 above on or before the expiration or termination of this Letter of Credit, the Bank will make such amount as the Division may specify, within the limits of the second sentence of Paragraph No. 4 of this Letter of Credit, available to the Division no later than the close of business, San Francisco time, on the second business day (the term "business day" means a day we are open at our address above to conduct business) following the Bank's receipt of the sight draft and certificate and in such a manner as the Division may specify.

COPY

6. The Bank will give prompt notice to the Operator and to the Division Director of any notice received or action filed alleging the insolvency or bankruptcy of the Bank, or alleging any violations of regulatory requirements which could result in suspension or revocation of the Bank's charter or license to do business.
7. The Letter of Credit will be governed by the laws of the State of Utah and shall be subject to the Uniform Customs and Practice for Documentary Credit, 1993 revision, International Chamber of Commerce Publication No. 500, as the same may be amended and in effect from time to time ("UCP"). In the event of a conflict between Utah law and the UCP, Utah law shall govern.
8. All communications regarding this Letter of Credit will be addressed to the Bank, Wells Fargo Bank, N.A., Trade Services Division, Northern California, One Front Street, 21st Floor, San Francisco, California 94111, referencing Letter of Credit Number 1 2.

Very truly yours,

Wells Fargo Bank, N.A.

By: 

Name: Eisa Chau

Title: Assistant Vice President



EXHIBIT B

To
Letter of Credit Number 2

I, _____ a duly authorized representative of the State of Utah, Division of Oil, Gas and Mining and U.S. Department of the Interior Bureau of Land Management, hereby certify that (1) the drawing in the amount of \$ _____, by sight draft accompanying this certificate, under Letter of Credit No. NZS541252 dated April 5, 2005 issued by you is permitted under the provision of the Letter of Credit, (2) the Letter of Credit has neither expired nor terminated pursuant to its terms, (3) the amount of the sight draft, together with any amounts previously drawn under the Letter of Credit, does not exceed the Face Amount, and (4) the Utah Board of Oil, Gas and Mining, after notice and hearing, has entered an Order which has not been stayed, ordering forfeiture of the Letter of Credit Number NZS541252, in accordance with applicable law. Proceeds of this drawing will be utilized in full to pay the expenses relating to the reclamation liability, together with the costs of collection, including attorney's fees, for the Diamond K Gypsum, Inc. [mine], M/015/041 Emery County, Utah [mine permit #].

State of Utah
Division of Oil, Gas and Mining
1594 West North Temple, Suite 1210
Box 145801
Salt Lake City, Utah 84114-5801

and

U.S. Department of the Interior
Bureau of Land Management
324 South State Street
Salt Lake City, Utah 84111

By: _____
Authorized Signature

Date _____